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Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

NOVEMBER 1985

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FACTS '85

PLUS:

- Pre-Show Report
- White-Collar Motivation
- Self-Liquidators

Island Update

EMPLOYEE MOTIVATION
White-Collar Productivity

November 1985

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Comstock

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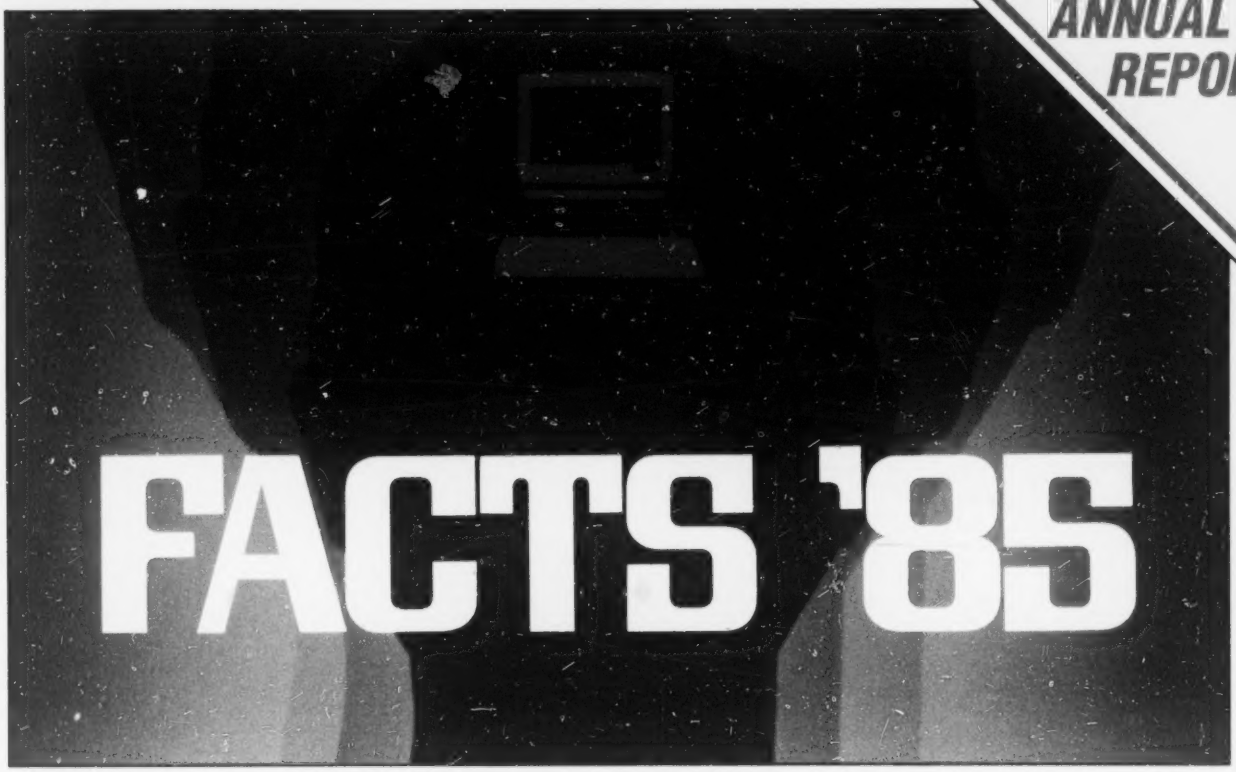

FACTS '85

In a downhill year, with signs that growth of the gross national product will not exceed 2%, the ingredients of sustained growth in incentive usage are not present.

What can you expect of an economic year like 1985? For most incentive users, the obvious answer is "much less than you expected last year."

The robust recovery most marketers shared in 1984—which led to a major resurgence of incentive activity—did not last far into this year, and incentive users reacted with more caution than confidence.

Despite rosy early-year forecasts, gray realities took hold going into the second half. The expansion rate in incentive usage, estimated at 13.3 percent in 1984, dipped to 7.9 percent for this year as a whole.

Given lower inflation, that expansion in 1985 represents real growth in the neighborhood of 4 percent or so, but that is far slower growth than last year's.

Companies still are fighting for market shares, especially with sales force incentive programs, which history shows can help the most. But the bloom is off in an atmosphere of sluggish sales for most industries and relentless talk of a new recession.

Respondents to **Incentive Marketing's** special surveys on incentive usage showed a uniform optimism earlier in the year, apparently a holdover of 1984 enthusiasm. The enthusiasm did not stand up when the final estimates were made.

Those final estimates add up to an increase to about $12.77 billion this year in expenditures for all forms of incentive programs, 7.9 percent above last year's $11.83 billion.

The 1984 upturn in incentive expenditure was the biggest percentage increase since 1976, also a post-recession year, when activity jumped by 18.7 percent. That major expansion continued in the following two years at 16.2 percent and 15 percent, respectively.

In a downhill year, with signs that growth of the gross national product will not exceed 2 percent, the ingredients of sustained growth in incentive usage are not present this time. Although the year is not over, any changes in 1985 budgets made after October cannot be of major consequence. Only a small quick-and-dirty, firefighting type of promotion could be planned and executed in the remaining weeks of the year.

Sales incentives, which usually outrun the rest of the field in a period of recovery, have continued to do so this year—but not by much. While sales force motiva-

FACTS '85

The growth leader by a big margin is building materials, with reports showing a 19.3% increase in incentive outlays.

tion efforts were reported up 19.9 percent last year, the 1985 estimate shows only a 9.4 percent increase. As it did a year ago, growth in use of travel awards is outpacing merchandise slightly, with a 10.1 percent increase, against 9.2 percent for merchandise.

Dealer incentives are not far behind, showing an 8.9 percent estimated increase. Again, travel growth is slightly greater, rising 10.2 percent, while merchandise promotions for wholesalers, contractors and retailers were gaining 8.3 percent.

The slowest growth this year has been in consumer mail-in promotions, up 7.5 percent, while direct premiums used by manufacturers gained 9.1 percent. Retail promotion to consumers has advanced only 6.1 percent overall —but with a downward thrust caused mostly by a 5.8 percent decline in trading stamps. All other forms of retail premium usage are estimated up 9.8 percent.

Business gifts are moving up only 5.1 percent this year, after two years of growth in the 8 percent range.

THE INCENTIVE FIELD AT A GLANCE

	1984 EXPENDITURES	% CHANGE	1985 EXPENDITURES	% CHANGE
	(ALL FIGURES IN THOUSANDS—"000" OMITTED)			
SALES INCENTIVES	$2,984,320	19.9	$3,264,679	9.4
Merchandise	2,260,834	19.5	2,468,214	9.2
Travel	723,486	21.3	796,465	10.1
DEALER INCENTIVES	$2,045,792	12.2	$2,228,063	8.9
Merchandise	1,345,576	11.4	1,456,672	8.3
Travel	700,216	13.8	771,391	10.2
MERCHANDISE TOTAL	$3,606,410	16.3	$3,924,886	8.8
TRAVEL TOTAL	$1,423,702	17.5	$1,567,856	10.1
TRADE TOTAL	$5,030,112	16.6	$5,492,742	9.2
BUSINESS GIFTS	$1,122,164	8.5	$1,179,502	5.1
CONSUMER PREMIUMS				
Product Promotion	$3,352,402	11.4	$3,629,492	8.3
● Mail-in Offers	1,700,310	11.5	1,827,436	7.5
● Direct Premiums	1,652,092	11.2	1,802,056	9.1
Retail Promotion	$2,326,000	11.6	$2,468,500	6.1
● Trading Stamps	554,000	4.5	522,000	-5.8
● Other Retail Premiums	1,772,000	14.0	1,946,500	9.8
CONSUMER TOTAL	$5,678,402	11.5	$6,097,992	7.4
TOTAL USAGE	**$11,830,678**	**13.3**	**$12,770,236**	**7.9**

Among the industry groups separately reported in **IM** estimates, 19 are running ahead of the all-industry growth of 7.9 percent, while the other 13 are lagging. Seven show fairly high expansion, topping 9 percent; four are under 6 percent.

The aggressors, with incentive activity up above the 7.9 percent average, are:

Apparel	**+ 8.7%**
Automobiles & trucks	**+ 8.6%**
Beer, ale & soft drinks	**+ 9.7%**
Building materials	**+19.3%**
Detergents & cleansers	**+ 8.4%**
Electronics, radio, TV	**+ 9.6%**
Heating & air conditioning	**+ 9.9%**
Industrial chemicals	**+ 8.2%**
Insurance	**+ 8.7%**
Luggage, jewelry & accessories	**+ 8.4%**
Machinery & supplies	**+ 9.5%**
Office equipment	**+ 8.9%**
Paints & varnishes	**+ 8.2%**
Paper products & packaging	**+ 8.0%**
Pharmaceuticals	**+ 8.1%**
Publishers, printers, broadcasters	**+ 8.7%**
Toiletries & cosmetics	**+ 8.4%**
Miscellaneous industries	**+ 8.7%**
Wholesalers & distributors	**+ 9.3%**

On the down side, these industries failed to keep up with the average incentive expansion:

Auto parts, tires, accessories	**+ 7.6%**
Banks and savings & loan	**+ 6.4%**
Electric appliances	**+ 7.7%**
Electrical & lighting equipment	**+ 6.8%**
Farm equipment	**+ 5.5%**
Feed, fertilizer, farm supplies	**+ 6.2%**
Food products	**+ 7.2%**
Furniture & floor coverings	**+ 7.1%**
Hardware	**+ 6.6%**
Housewares & home furnishings	**+ 1.8%**
Petroleum products	**+ 7.7%**
Public utilities	**+ 3.8%**
Sporting goods & toys	**+ 7.1%**

FACTS '85

Despite rosy early-year forecasts, gray realities took hold going into the second half.

INCENTIVE USAGE BY INDUSTRY

(ALL FIGURES IN THOUSANDS-000 OMITTED)

INDUSTRY	TOTAL EXPENDITURES	% CHANGE FROM 1984
FOOD PRODUCTS	$1,298,954	7.2
TOILETRIES & COSMETICS	$ 759,227	8.4
AUTO PARTS, TIRES, ACCESSORIES	$ 733,148	7.6
INSURANCE	$ 540,394	8.7
AUTOMOBILES & TRUCKS	$ 411,165	8.6
ELECTRONICS, RADIO, TV	$ 407,861	9.6
BUILDING MATERIALS	$ 276,248	19.3
OFFICE EQUIPMENT	$ 249,129	8.9
PETROLEUM PRODUCTS	$ 238,304	7.7
PUBLISHERS, PRINTERS, BROADCASTERS	$ 236,136	8.7
HEATING & AIR CONDITIONING	$ 234,943	9.9
FARM EQUIPMENT	$ 230,492	5.5
BANKS, SAVINGS & LOANS	$ 208,510	6.4
HOUSEWARES, HOME FURNISHINGS	$ 203,144	1.8
FEED, FERTILIZER, FARM SUPPLIES	$ 200,107	6.2
BEER, ALE, SOFT DRINKS	$ 195,595	9.7
DETERGENTS & CLEANSERS	$ 193,000	8.4
ELECTRIC APPLIANCES	$ 180,953	7.7
PHARMACEUTICALS	$ 153,159	8.1
MACHINERY & SUPPLIES	$ 124,184	9.5
ELECTRICAL & LIGHTING EQUIPMENT	$ 109,456	6.8
INDUSTRIAL CHEMICALS	$ 98,533	8.2
FURNITURE & FLOOR COVERINGS	$ 88,010	7.1
PAPER PRODUCTS & PACKAGING	$ 74,306	8.0
APPAREL	$ 58,686	8.7
PAINTS & VARNISHES	$ 54,161	8.2
SPORTING GOODS & TOYS	$ 46,657	7.1
HARDWARE	$ 33,626	6.6
LUGGAGE, JEWELRY, ACCESSORIES	$ 24,532	8.4
PUBLIC UTILITIES	$ 22,738	3.8
MISCELLANEOUS INDUSTRIES	$1,434,176	8.7
DISTRIBUTORS, WHOLESALERS	$1,182,208	9.3
RETAILERS, GROCERY	$1,256,000	2.9
RETAILERS, OTHER	$1,212,500	9.7

The growth leader by a big margin is building materials, with reports showing a 19.3 percent increase in incentive outlays this year. Heavy expansion in travel programs is accompanied by a huge percentage growth (179 percent) in the industry's smallest category—other premiums (mainly free direct premiums).

Building materials takes its lead from the housing market, and that has been a rare pocket of strength this year—as Fortune magazine noted at midyear, "one of the few firm spots in an otherwise mushy U.S. economy." Housing starts in 1984 boomed to 1.75 million, and there is a suggestion they may even exceed that level this year.

Building materials manufacturers added only about 8 percent to their incentive investment last year. The largest growth in 1984 was in the small direct premiums category, which rose 12.7 percent. The lack of greater incentive expansion in what was a strong housing year may be traceable to the increased emphasis on direct premiums and travel programs. Because these two areas are new to building materials marketers, it probably took them some time before they could crank up their programs. Travel usage for building materials salespeople and dealers rose 20.7 percent and 21.6 percent, respectively.

The second-largest increase this year, 9.9 percent, is recorded by the heating and air conditioning industry—a category with close ties to housing.

Another industry boosting incentive use at a better-than-average rate this year is automobiles and trucks, which sold 14 million vehicles last year and is expected to pass the 15 million mark in the 1985 model year. Incentive effort in the industry last year reflected the good times, with more than a 19 percent increase over 1983 levels. This year, however, the added expenditure will be only about 8.6 percent.

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The auto makers have used the word "incentive" a great deal this year, but it has tended to mean "price cut" most of the time. Past rebate programs have given way to subsidized consumer financing. The auto firms' consumer premium usage is actually down by 1.8 percent for 1985, although trade incentives moved up 9.5 percent.

The top 10 industry users of incentives this year remain the same as in 1984, with the exception of the last position, which was held by the laggard farm equipment group last year. Two industries with usage a bit above average this year moved ahead of farm equipment, with publishers, printers and broadcasters rising into the 10th slot. Heating and air conditioning also nosed out the tractor makers, dropping them to 12th on the list.

Only one other change occurred this year in the order of industries by volume of incentive expenditure. Housewares and home furnishings, with the smallest growth of all (1.8 percent over last year), dropped below banks and savings and loan, whose lackluster 6.4 percent performance was still better than that of the housewares group.

Trade incentives tend to dominate the growth of promotion spending by a relatively small margin. There are some industries in which the pattern does not apply and consumer premium techniques are showing faster growth. This is true, in fact, in 10 of 32 groups this year.

Trade incentives tend to dominate the growth of promotion spending by a relatively small margin in most industries.

Three fields in which consumer promotion has been moving faster are grocery-related categories: food products; toiletries and cosmetics, and detergents and cleansers. In all of these cases, consumer promotion tends to predominate.

While consumer promotion does not dominate the automotive aftermarket, it has been growing rapidly in a field once top-heavy in trade incentives. In the present estimates, auto parts, tires and accessories shows more increase in consumer programs than in the rest of the field.

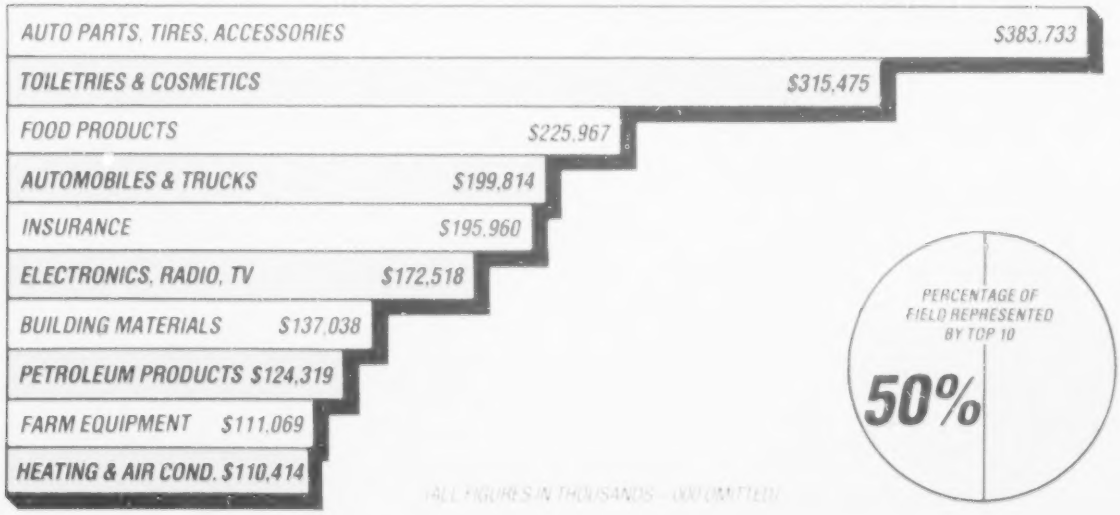
Other industries wooing the consumer a bit more this year than salespeople and dealers include building materials, electric appliances, electrical and lighting equipment, furniture and floor coverings, hardware and sporting goods and toys.

Observers in several industries that are heavy users of consumer premiums have told IM that they believe conditions point toward greater marketing focus on the end customer in the coming year.

If consumer resistance rises in the face of economic slowdown, 1986 incentive activity is likely to include acceleration of consumer promotion, along with continued emphasis on trade incentives. ■

MORE FACTS ON PAGE 48

TOP 10 MERCHANDISE TRADE INCENTIVE USERS (1985)



(ALL FIGURES IN THOUSANDS — 000 OMITTED)

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TOTAL DOLLAR VOLUME OF INCENTIVE USAGE

(ALL FIGURES IN THOUSANDS—000 OMITTED)

1985	$12,770,236,000	1975	$ 4,236,305,000
1984	$11,830,678,000	1974	$ 4,829,964,000
1983	$10,440,117,000	1973	$ 5,023,184,000
1982	$ 9,779,217,000	1972	$ 4,649,653,000
1981	$ 9,361,510,000	1971	$ 4,222,505,000
1980	$ 8,664,251,000	1970	$ 3,793,000,000
1979	$ 7,696,138,000	1969	$ 3,772,000,000
1978	$ 6,719,687,000	1968	$ 3,598,000,000
1977	$ 5,841,575,000	1967	$ 3,218,000,000
1976	$ 5,026,535,000		

Source: IM surveys 1967-1985

Sales Incentives

Estimated growth in sales incentives in 1985 is 9.4%—a fair pace and above the average but not totally in line with history.

Motivating a sales force is the top job of incentives, and one that takes a special priority in an economic recovery. Thus it was not surprising when this part of the field expanded by 19.9 percent—about 50 percent above the overall rate—last year.

What may be surprising is that the push has cooled off as much as it has this year. Estimated growth in sales incentives in 1985 is 9.4 percent—a fair pace and above the average but not totally in line with history.

The scaling back of many budgets as the year wore on also was surprising to many marketing executives, who had told **IM** earlier in the year in a special survey that they were increasing sales force motivation efforts by about 13 percent over 1984.

Sales incentives this year have passed a milestone—going over $3 billion for the first time—to a new total estimate of $3.26 billion. And they have reached a record high share of the total field, 25.6 percent. After many years of holding in the 23 percent range, they moved above 25 percent in 1984 and have gone a bit farther this year in enlarging their place in the total incentive field.

This year's increase is divided between merchandise, at 76 percent of the expenditure, up 9.2 percent to $2.47 billion, and travel, accounting for 24 percent, up 10.1 percent for a total of $796 million.

For several years, travel has been adding to its piece of the sales incentive budget—and now, for the second year, exceeds travel expenditures for dealer promotions. Travel for many years was primarily a dealer motivation tool, and, as recently as 1978, the dealer side used 56 percent of all trip programs.

Only four industries, all among the 10 largest users of sales incentives, increased their usage by significantly more than the average this year. In addition, the miscellaneous industries and wholesalers and distributors also went somewhat ahead—with more than 10.5 percent increases in expenditures over their 1984 budgets. The six relatively big spenders are: building materials, up 11.7 percent; electronics, radio and TV, 10.6 percent; machinery and supplies, 11.2 percent; publishers, printers and broadcasters, 10.8 percent; miscellaneous industries, 10.7 percent, and distributors and wholesalers, 12.6 percent.

Fifteen industries clustered within a narrow range—8- to 10.5-percent increases—and 11 others added less than 8 percent to their expenditures last year.

Among the top ten industries, one, food products, was with that slow-growth group, at a 7.7-percent increase; the other five not in the top-expansion ranks were in the middle ground.

There was only one change of position among the top ten. The electronics group, which dropped from fourth to fifth place last year when it was outspent by automobiles and trucks, moved back up a notch as the auto firms slowed their expansion of incentive usage.

Here is this year's record of movement in the 32 industry groups in the survey:

Apparel	**+ 9.3%**
Auto parts, accessories & tires	**+ 8.1%**
Automobiles & trucks	**+ 8.9%**
Banks and savings & loan	**+ 5.1%**
Beer, ale & soft drinks	**+ 9.6%**
Building materials	**+11.7%**
Detergents & cleansers	**+ 6.9%**
Electric appliances	**+ 6.7%**
Electrical & lighting equipment	**+ 6.7%**
Electronics, radio & TV	**+10.6%**
Farm equipment	**+ 4.6%**
Feed, fertilizer & farm supplies	**+ 5.8%**
Food products	**+ 7.7%**
Furniture & floor coverings	**+ 6.1%**
Hardware	**+ 6.3%**
Heating & air conditioning	**+10.4%**
Housewares & home furnishings	**+ 3.6%**

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Industrial chemicals	+ 9.7%
Insurance	+ 9.4%
Luggage, jewelry & accessories	+ 8.2%
Machinery & supplies	+11.2%
Office equipment	+ 9.7%
Paints & varnishes	+ 9.4%
Paper products & packaging	+10.0%
Petroleum products	+ 8.2%
Pharmaceuticals	+ 8.5%
Public utilities	+ 9.0%
Publishers, printers & broadcasters	+10.8%
Sporting goods & toys	+ 6.0%
Toiletries & cosmetics	+ 8.3%
Distributors & wholesalers	+12.6%
Miscellaneous industries	+10.7%

Sales incentive users made more optimistic predictions in the first half of this year than they could later justify. But they were not without warning: The special surveys showed that results of their campaigns were not holding up in the fashion of 1984. They were anticipating, and already beginning to experience, a somewhat reduced level of sales gains, a lower sales force qualification rate, and a sharp increase in unit costs of incentive travel. Along with those warnings, however, they did have good news at the bottom line: Their cost in relation to incremental sales was better than it had been for a long time.

Following two years in which surveys showed sales gains in the 18- to 19-percent range during sales incentive campaigns, 1984 boosted that figure to 201 percent.

The average cost of a merchandise prize has risen considerably this year.

This year's similar compilation showed an average of just 18 percent.

The lowered yield perhaps reflected a lower participation level. Where 44 percent of eligible salespeople had earned awards last year, the 1985 reports showed that average down to 40 percent—with 47 percent in merchandise incentive programs and only 29 percent in travel campaigns.

The average cost of a merchandise prize this year has risen considerably, apparently because of some unusually big-ticket items—to $315 from the $232 found a year ago. The median cost remains the same—$100.

In travel costs, however, the story is different. The average per winner has risen from $1,662 to $1,826. The median, however, has increased by even more dollars—from $1,200 to $1,500. Only the drop in travel qualification (from 36 percent to 29 percent) would seem to have saved some users from a tough final accounting.

Still, the final arithmetic comes out this year as the most favorable in a number of years. Last year's cost as a percentage of incremental sales gained came to 9 percent, down from several years of higher costs. But the median remained at 7 percent, where it had held for four years. In 1985, however, users reported the average down still farther, to 8 percent, and a drop in the median as well, to only 5 percent.

It is never good to see the sales curve dip, and the drop from over 20 percent in volume gains to 18 percent can be measured in millions of dollars not brought in during incentive campaigns—not brought in, in effect, by the 4 percent of people who did not qualify to keep up with last year's standards.

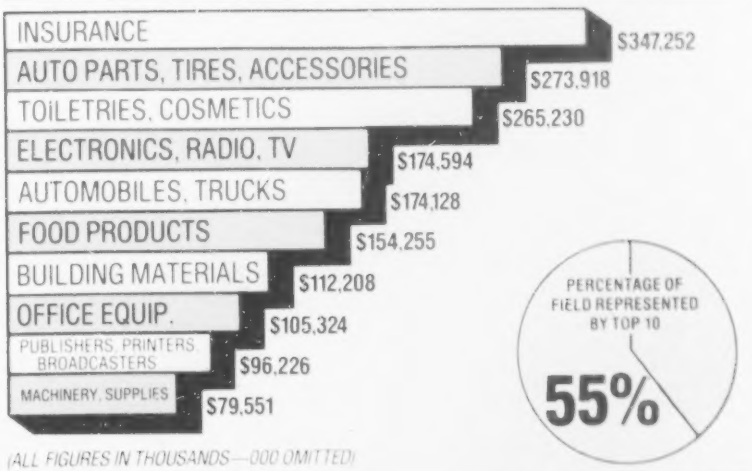
But, while these relative weaknesses represent a bigger change from last year than we might have hoped for, the picture is still a strong one for sales force motivation. The cost of the effort has been rewarding in overall profit measurement.

And the 94-percent dollar expansion this year, despite looking small by comparison with the 1984 growth, represents several percentage points of real growth—above the biggest year sales incentives have ever had.

With that high starting point, the technique can be expected to meet major demands in 1986—demands that will mean reading more mixed economic signals and trying to match each incentive plan to what could be a unique set of market circumstances. ■

MORE FACTS ON PAGE 52

TOP SALES INCENTIVE USERS (1985)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

FACTS '85

Dealer Incentives

The present estimate of growth in dealer incentives is 8.9 percent, down a bit from 1984's 12.2 percent rate.

Dealer incentives are continuing to do an effective sales job for most users this year, although results are not quite up to last year's standards and total volume of incentive purchases is estimated to be growing more slowly.

In 1984, promotions to dealers rose by an estimated 12.2 percent over the previous year's activity, and all the measurements of effectiveness were strong and positive. Since then the pace has slowed a bit, and the present estimate of growth this year is 8.9 percent. That will raise the total expenditure for dealer merchandise and travel awards to $2.3 billion, about 17 percent of all dollars invested in incentives of every type.

Incentive travel is increasing a little faster than merchandise, up to 10.2 percent to $771 million; merchandise volume is advancing 8.3 percent to $1.45 billion.

The rate of increased usage is lower than had been indicated by the respondents in a special IM survey early in the year; they indicated their budgets were an average of 10.4 percent higher this year than in 1984. This appears to be in line with the general dampening of enthusiasm for the economy as the year wore on—and is considerably less of a change of pace than that being shown by the users of sales incentives, where the increased expenditure is only about two-thirds of that earlier forecast.

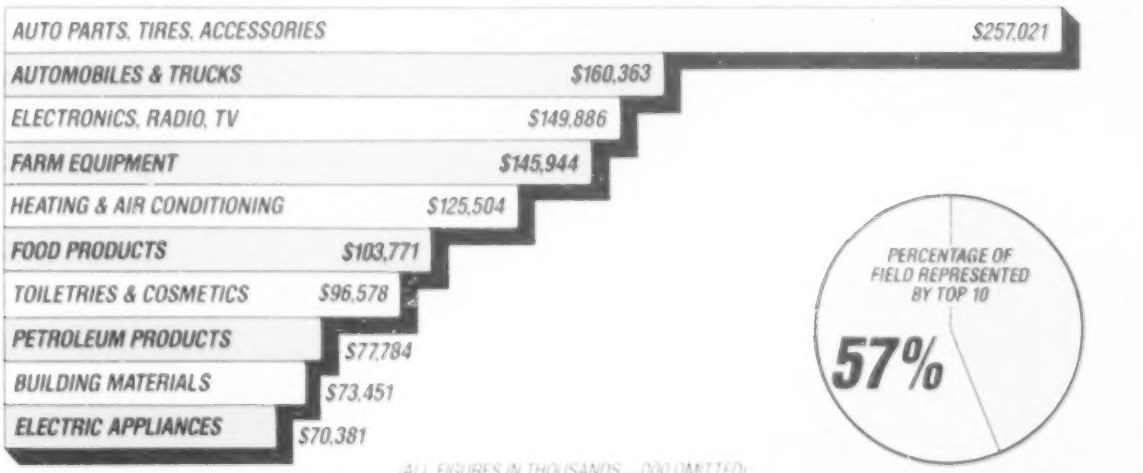
Nine of the 10 largest dealer-incentive-using industries remain the same this year. The exception is the tenth position, where the slow-growing feed, fertilizer and farm supplies group dropped off the top-10 list and was replaced by electric appliances, which upped its spending in this category by 9.3 percent over 1984.

A change in the order of the leaders also occurred, with another agricultural industry, farm equipment, showing only a 5.6 percent rise in usage and falling from third to fourth place.

Ten industries, including five of the top 10, plus the miscellaneous industries category, all increased their dealer incentive expenditures this year above the average rate—by 10 percent or more. Here is how they are estimated to be doing in usage:

Apparel	+11.5%
Automobiles & trucks	+10.2%
Beer, ale & soft drinks	+10.6%
Building materials	+11.0%
Electronics, radio & TV	+10.3%
Heating & air conditioning	+10.5%
Insurance	+10.0%
Pharmaceuticals	+10.5%
Publishers, printers, broadcasters	+10.0%
Toiletries & cosmetics	+10.6%
Miscellaneous industries	+10.5%

TOP 10 DEALER INCENTIVE USERS (1985)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

FACTS '85

Another 15 industry groups held a narrow middle ground between 7.5 percent and 9.9 percent in increased spending this year. The remaining six, falling below the 7.5 percent pace, are farm equipment; feed, fertilizer and farm supplies; hardware; housewares and home furnishings; machinery and supplies, and distributors and wholesalers.

The wholesale users direct their promotions in this category primarily at retailers, but they themselves are also the targets of many more. The term "dealer" covers a broad range of middlemen, from national distributors to mom-and-pop stores. Within the range are wholesalers and jobbers, chain retailers, independent stores of all types, service stations, service contractors, commercial and industrial dealers, insurance brokers, franchisees and many others.

Results in approaching each class of dealer will vary, of course, but the year-to-year average reports by users provide a measure of general effectiveness. In this year's special survey (based on users' reports in February and March), the average report of sales increases achieved with dealer incentives showed improvement over similar reports in 1984—18.7 percent sales gains, compared with 16.9 percent a year earlier. These figures represented estimates based on expected results of budgeted campaigns—and actual figures may have varied somewhat. But the overall picture is a much brighter one than that found this year by sales incentive users, whose results dropped from an average of 20.1 percent last year to 18.0 percent.

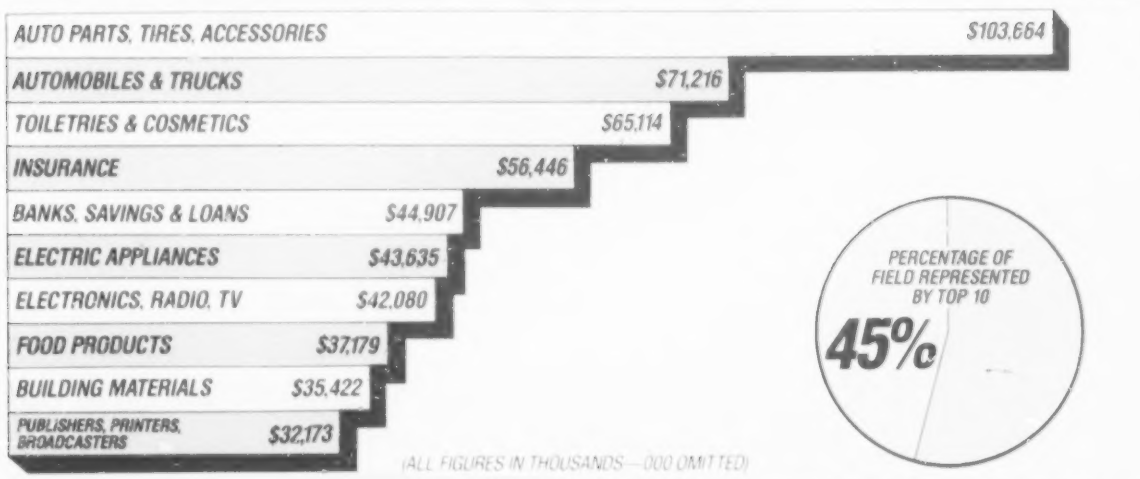
The dealer programs, on average, cost 13% of sales increments gained during a campaign, with the median at 10%.

The sales force motivators also found a decline this year in the level of qualified participants in their programs, and the dealer incentive users have experienced a similar drop in award-winners, from an overall average last year of 55 percent to 52 percent now. Broken down by type of award, the estimates came to 55 percent in merchandising campaigns and 47 percent for travel users.

Dealer incentive programs tend to be more costly than those for salespeople, and that reflects in this year's reports—although the trend in both categories is favorably downward. The dealer programs, on average, cost 13 percent of sales increments gained during a campaign, with the median at 10 percent. The median is the same as it was in 1984, which was one point below the 1983 cost. Users of sales incentives found their cost averaging 8 percent of incremental sales this year—lower than a year ago—with a median of just 5 percent.

Thus, with the sales results slightly lower than a year ago and participation down somewhat, users of both sales and dealer incentives found consolation of a sort in the fact that they had to pay less for what they did achieve.

TOP 10 BUSINESS GIFT USERS (1985)



The reasons for this seeming anomaly in the cost figures are not clear from the survey results. But it seems likely that it is either a function of the lowered participation or of different budget structures—probably some of each, depending upon the individual company's program.

The unit cost of incentive awards did not of itself contribute to lower overall costs. The average merchandise cost rose rather sharply from $125 to $162—although the median stayed at $50. In the case of travel costs, the average actually declined a bit, from $1890 to $1748—but the median, that paid by the company in the middle of the range, jumped from $1200 up to $1500. (The same increase in median travel cost was experienced by the users in sales force programs.)

Even though the increase this year in total estimated dealer incentive spending is lower than originally forecast, it appears that activity has been generally healthy and is still at a level of more real growth than in some years.

And, although individual increases came out a little smaller than had been anticipated, the number of users who enhanced their budgets this year reached a high point—64 percent of those responding in the survey said they were using more this year. ■

Consumer Premiums

Early enthusiasm, with estimates of 15-percent gains, gave way to a final estimate of just 7.4 percent more consumer premium effort this year than in 1984.

Moving ahead—but less than expected. That sums up this year's consumer premium usage, in common with the rest of the field.

The year was only weeks old when a group of surveyed executives told **IM** their 1985 consumer promotion budgets would average about 15 percent more than last year's expenditures. But early enthusiasm gave way to a final estimate of just 7.4 percent more consumer premium effort than in 1984.

Product promotion by manufacturers and distributors ran ahead of the average, with an 8.3 percent increase. Retail promotion was the laggard, up only 6.1 percent—slowed by a decline in trading stamps for the first time since 1975. But non-stamp effort by retailers was strong, up 9.8 percent.

Though all incentive forms this year have advanced less than first forecast, the drop in budgets has been sharpest in the consumer segment. Sales incentives grew 9.4 percent against a 13 percent early estimate; dealer promotion has been up 8.9 percent instead of 10.4 percent. Only on the consumer side has the realization dropped below half the anticipation, according to the final estimates.

Of the two major product-promotion categories, direct premiums fared better—up 9.1 percent—than the mail-in types, which rose by 7.5 percent.

Among mail-ins, the greatest growth has been in sweepstakes, while self-liquidators have been relatively quiet. Free mail-in offers have prospered, largely through heavy use of items with high perceived value but relatively low cost—such as recipe books, calendars, other printed items, records and tapes, dance or exercise lessons, health-club memberships, newspaper subscriptions, fast-food credits and other tie-in or service-oriented premiums.

The direct premium varieties, with their slightly greater acceleration, have come within $25 million of matching the total expenditure for mail-ins—$1,802,056,000 compared with $1,827,436,000 for the still-larger mail-in group. While direct premiums contributed most to the growth this year, their cousins, the factory pack and coupon plan, rose a bit more slowly.

The retail portion of the consumer promotion field was relatively vigorous, except for a 5.8-percent drop in trading stamp usage from last year's estimated $554 million to $522 million. Other retail activity, both by the grocery industry and other sellers, was 9.8 percent ahead of last year.

Retail grocers, because they account for so large a portion of trading stamp usage, showed an overall gain of only 2.9 percent, while other retail industries moved up by 9.7 percent. The grocery volume advanced from a 1984 total estimated at $1.22 billion to $1.26 billion. Other retail fields accounted for $1.21 billion of this year's volume.

The largest percentage change in consumer premiums occurred in the building materials industry, which used a mere $12 million worth of direct premiums last year but reported an increase to $34 million in 1985—to show a consumer premium percentage rise of 17.9 percent.

In contrast, food products manufacturers added more than $66 million to their outlay for consumer promotion—but created only a 7.1 percent ripple over last year's figures.

Besides building materials, two other groups made substantial percentage increases above the average—9.6 percent for both detergents and cleansers and distributors and wholesalers. Seven industries fell below 7 percent in

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their spending increases for consumer premiums, while all others were in the middle range from 7.0 percent to 9.5 percent. Here is how they moved:

Apparel	+ 8.3%
Auto parts, accessories & tires	+ 8.9%
Automobiles & trucks	– 1.8%
Banks and savings & loan	+ 5.9%
Beer, ale & soft drinks	+ 9.4%
Building materials	+74.3%
Detergents & cleansers	+ 9.6%
Electric appliances	+ 8.1%
Electrical & lighting equipment	+ 7.9%
Electronics, radio & TV	+ 8.2%
Farm equipment	+ 6.2%
Feed, fertilizer & farm supplies	+ 6.3%
Food products	+ 7.1%
Furniture & floor coverings	+ 7.7%
Hardware	+ 7.6%
Heating & air conditioning	+ 8.7%
Housewares & home furnishings	– 1.3%
Industrial chemicals	+ 8.4%
Insurance	+ 7.5%
Luggage, jewelry & accessories	+ 8.1%
Machinery & supplies	+ 9.4%
Office equipment	+ 8.2%
Paints & varnishes	+ 6.5%
Paper products & packaging	+ 7.4%
Petroleum products	+ 7.0%
Pharmaceuticals	+ 7.2%
Public utilities	– 1.4%
Publishers, printers & broadcasters	+ 8.0%
Sporting goods & toys	+ 7.8%
Toiletries & cosmetics	+ 8.6%
Distributors & wholesalers	+ 9.6%
Miscellaneous industries	+ 8.0%

The top-10 user industries have not changed this year, but there has been one change in their order. Housewares and home furnishings, one of the three industries showing a decline in consumer promotion this year, dropped from fourth place on the list to seventh, behind detergents and cleansers.

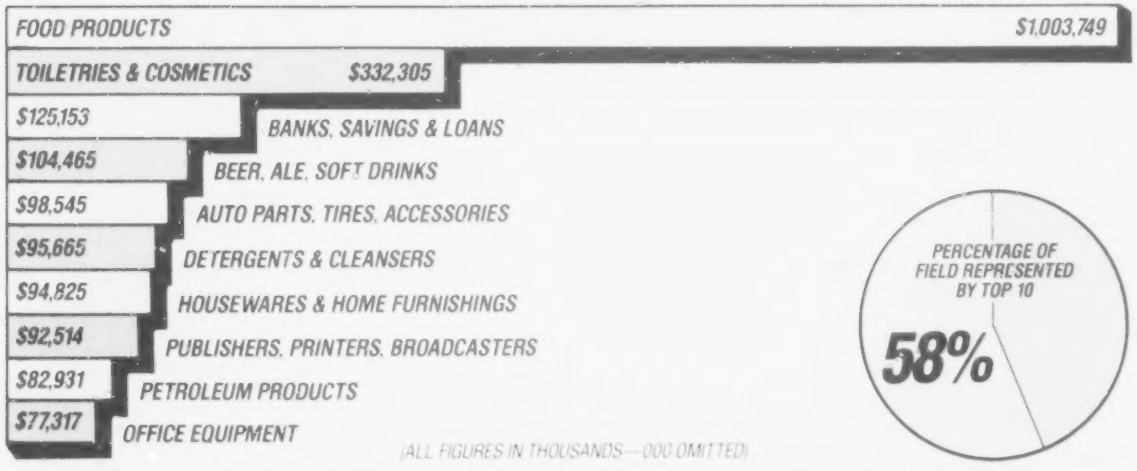
Only one of the top 10, detergents and cleansers, increased its spending significantly above the average. One result is a slight drop in the dominance of this group: Where last year the top 10 accounted for 59 percent of all consumer premium effort, that has slipped to 58 percent in the 1985 estimates.

Food manufacturers are by far the largest users of consumer premiums, and their expenditures passed the $1-billion mark this year for the first time, giving them almost a 28 percent share of the field. Yet their contribution to expansion was small, at 7.1 percent over last year. Their added promotion budgets were greater in direct premiums, up 8.8 percent. But in the category of mail-in promotions where they have been especially aggressive in the past, they increased usage by only 5.8 percent.

In the special **IM** survey earlier this year, users said they were planning an average of 7.3 mail-in offers in 1985—up from a 4.6-offer average, although the median in both cases was 4. It may have been some of those extra promotions planned by a number of marketers that were scrapped in the course of the year, causing the drop below original budgeted expenditures.

The users of direct premiums

TOP 10 CONSUMER PREMIUM USERS (1985)



also had forecast an increase in number of programs, from 5.6 to 6.7; here again it may be assumed that some of the add-on promotional effort did not occur.

September was the popular month this year for launching a consumer promotion, mentioned by 27 percent of executives. With that much activity projected seven months beyond the time of the survey, many of them had the chance to change their minds.

As for sales effectiveness, users' average estimates of retail sales increases were 20.8 percent at the time of the survey, virtually unchanged from the 20.4 percent reported a year earlier. And they reported that both display usage and dealer participation in their promotions improved from last year's record.

Given those early-year signs of health—and at least modest real growth in usage during the year, even though below forecast—the outlook for consumer premiums in the near future remains positive. And the need for their economic stimulus is apparent. ■

Incentive Travel

The estimated total of all incentive travel in 1985 is $1.57 billion, about $144 million more than marketers spent for trips last year.

Travel has been the most aggressive part of the incentive field in 1985 and the only one to eke out a double-digit increase in usage—10.1 percent over last year.

The estimated total of all incentive travel in 1985 is $1.57 billion, about $144 million more than marketers spent for trips last year. The percentage increase for sales incentive and dealer programs is almost the same—10.1 percent to motivate salespeople and 10.2 percent aimed at distributors, wholesalers and retailers.

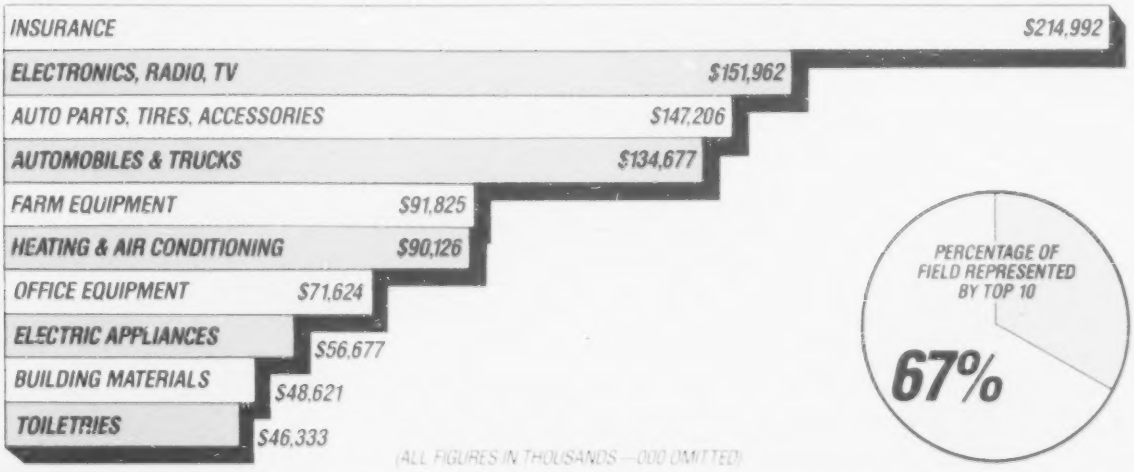
As with other portions of the incentive field this year, a considerable disparity exists between the final estimate and the budget plans reported by a limited number of executives during the first half of the year. At that time, they told **IM** they were planning expenditures 17.3 percent above their 1984 investments in travel programs. That was almost exactly the same as the increase in travel spending last year over 1983.

Earlier in the year, users had good reason to be optimistic about their incentive travel plans and the results they hoped to achieve with them. Sales increases in their campaigns were high, participation levels were good and bottom-line costs reached a new low point.

At that time, users averaged a 21 percent yield in sales volume, up from 17.7 percent achieved by a similar group a year before. The participation level of eligible people showed 31 percent qualifying for trips, the same as the year before and much better than the 24 percent rate of 1983.

In the important measurement of program cost as a percentage of incremental sales, the 1985 survey showed good news for travel pro-

TOP 10 INCENTIVE TRAVEL USERS (1985)



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motion. Following three years of averages ranging from 10.5 percent to 11 percent and a median of 7 percent, this study found a decline in cost to an average of 10.1 percent and the median went down to just 6 percent.

The lion's share of incentive travel is now devoted to sales-force efforts, which this year took 51 percent of the total travel budget. In 1973, only 41 percent went for sales forces, with the rest in dealer promotion, but sales incentive activity has gradually increased in share since that time.

The top-10 user industries this year remain the same as in 1984, except for one change of position among them. The former 10th-ranked user, building materials, increased its spending enough this year to move up to ninth, ahead of toiletries and cosmetics manufacturers.

Those two industries were the largest contributors to growth in travel this year. Toiletries and cosmetics, although losing ground in the rankings, increased its travel activity by 12.4 percent. But building materials made the boldest move and added 21.1 percent to incentive travel budgets for the year. The rest of the top 10 were less aggressive during the year, but this group of major users still maintained its 67 percent share of all incentive travel usage.

The fifth-largest user, farm equipment, showed the smallest percentage growth of the year, only 6.1 percent. Five other industries lagged behind the field with travel expansion below 8 percent this year: feed, fertilizer and farm supplies; hardware; industrial chemicals; petroleum products, and sporting goods and toys.

The following increases in incentive travel usage were reported for all of the tabulated industry groups:

Apparel	**+ 9.4%**
Auto parts, accessories & tires	**+ 8.7%**
Automobiles & trucks	**+10.3%**
Banks and savings & loan	**+ 9.1%**
Beer, ale & soft drinks	**+11.1%**
Building materials	**+21.1%**
Detergents & cleansers	**+ 8.5%**
Electric appliances	**+10.3%**
Electrical & lighting equipment	**+ 8.8%**
Electronics, radio & TV	**+10.5%**
Farm equipment	**+ 6.1%**
Feed, fertilizer & farm supplies	**+ 7.3%**
Food products	**+10.0%**
Furniture & floor coverings	**+ 8.9%**
Hardware	**+ 7.7%**
Heating & air conditioning	**+11.0%**

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INDUSTRY-BY-INDUSTRY ANALYSIS

	EXPENDITURES 1985		EXPENDITURES 1984	
MISCELLANEOUS INDUSTRIES	**$1,434,176,000**	**+8.7%**	**$1,318,866,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$308,417,000	+ 7.7%	$286,414,000	+24.2%
Travel	$ 81,824,000	+ 9.1%	$ 75,020,000	+21.2%
Dealer Merchandise	$220,110,000	+15.8%	$190,026,000	+11.0%
Travel	$ 92,880,000	+10.3%	$ 84,201,000	+10.6%
BUSINESS GIFTS	$190,418,000	+ 4.3%	$182,491,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$257,408,000	+ 7.9%	$238,511,000	+10.9%
Other Premiums	$283,119,000	+ 8.0%	$262,203,000	+10.7%
DISTRIBUTORS & WHOLESALERS	**$1,182,208,000**	**+9.3%**	**$1,081,977,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$348,579,000	+12.8%	$308,992,000	+21.0%
Travel	$ 25,120,000	+10.0%	$ 22,844,000	+24.5%
Dealer Merchandise	$124,918,000	+ 6.0%	$117,821,000	+11.9%
Travel	$ 18,244,000	+11.0%	$ 16,440,000	+13.1%
BUSINESS GIFTS	$203,037,000	+ 4.7%	$193,968,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$269,881,000	+ 8.8%	$248,023,000	+10.3%
Other Premiums	$192,429,000	+10.7%	$173,889,000	+10.9%

	EXPENDITURES 1985		EXPENDITURES 1984	
APPAREL	**$58,686,000**	**+8.7%**	**$53,980,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 12,211,000	+ 10.7%	$ 11,031,000	+18.3%
Travel	$ 3,045,000	+ 4.2%	$ 2,921,000	+22.2%
Dealer Merchandise	$ 8,084,000	+ 9.5%	$ 7,380,000	+10.6%
Travel	$ 310,000	+137.9%	$ 145,000	+ 8.2%
BUSINESS GIFTS	$ 9,781,000	+ 6.5%	$ 9,182,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,988,000	+ 6.5%	$ 10,315,000	+12.7%
Other Premiums	$ 14,267,000	+ 9.7%	$ 13,006,000	+13.0%
AUTO PARTS, TIRES, ACCESSORIES	**$733,148,000**	**+7.6%**	**$681,093,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$190,522,000	+ 8.1%	$176,280,000	+20.3%
Travel	$ 83,396,000	+ 8.1%	$ 77,114,000	+24.9%
Dealer Merchandise	$193,211,000	+ 7.2%	$180,216,000	+18.5%
Travel	$ 63,810,000	+ 9.4%	$ 58,323,000	+21.4%
BUSINESS GIFTS	$103,664,000	+ 5.0%	$ 98,706,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 69,928,000	+ 9.2%	$ 64,028,000	+10.4%
Other Premiums	$ 28,617,000	+ 8.3%	$ 26,426,000	+23.5%
AUTOMOBILES & TRUCKS	**$411,165,000**	**+8.6%**	**$378,635,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$146,808,000	+ 8.7%	$135,026,000	+20.2%
Travel	$ 27,320,000	+ 10.1%	$ 24,821,000	+29.2%
Dealer Merchandise	$ 53,006,000	+ 9.9%	$ 48,210,000	+ 9.6%
Travel	$107,357,000	+ 10.3%	$ 97,304,000	+21.3%
BUSINESS GIFTS	$ 71,216,000	+ 5.2%	$ 67,717,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 2,582,000	- 6.3%	$ 2,755,000	+10.6%
Other Premiums	$ 2,876,000	+ 2.6%	$ 2,802,000	+16.2%
BANKS, SAVINGS & LOANS	**$208,510,000**	**+6.4%**	**$195,960,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 32,880,000	+ 5.0%	$ 31,306,000	+ 5.0%
Travel	$ 2,491,000	+ 5.6%	$ 2,360,000	+11.3%
Dealer Merchandise	$ 2,667,000	+ 6.3%	$ 2,510,000	+ 9.5%
Travel	$ 412,000	+ 36.9%	$ 301,000	+ 7.1%
BUSINESS GIFTS	$ 44,907,000	+ 8.7%	$ 41,319,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 26,010,000	+ 6.0%	$ 24,531,000	+ 7.4%
Other Premiums	$ 99,143,000	+ 5.9%	$ 93,633,000	+ 7.5%
BEER, ALE, SOFT DRINKS	**$195,585,000**	**+9.7%**	**$178,355,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 43,920,000	+ 9.2%	$ 40,211,000	+21.2%
Travel	$ 11,319,000	+ 10.9%	$ 10,210,000	+18.3%
Dealer Merchandise	$ 21,074,000	+ 10.3%	$ 19,103,000	+11.0%
Travel	$ 4,882,000	+ 11.7%	$ 4,372,000	+12.1%
BUSINESS GIFTS	$ 9,925,000	+ 10.8%	$ 8,958,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 60,814,000	+ 8.4%	$ 56,121,000	+12.0%
Other Premiums	$ 43,651,000	+ 10.8%	$ 39,380,000	+12.5%

	EXPENDITURES 1985		EXPENDITURES 1984	
BUILDING MATERIALS	**$276,248,000**	**+19.3%**	**$231,551,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 86,120,000	+ 9.3%	$ 78,820,000	+12.3%
Travel	$ 26,088,000	+ 20.7%	$ 21,611,000	+ 8.0%
Dealer Merchandise	$ 50,918,000	+ 6.9%	$ 47,643,000	+ 3.7%
Travel	$ 22,533,000	+ 21.6%	$ 18,535,000	+ 4.9%
BUSINESS GIFTS	$ 35,422,000	+ 6.4%	$ 33,284,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 21,046,000	+ 8.2%	$ 19,444,000	+ 6.8%
Other Premiums	$ 34,121,000	+179.4%	$ 12,214,000	+12.7%
DETERGENTS & CLEANSERS	**$193,000,000**	**+8.4%**	**$177,977,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 60,717,000	+ 6.9%	$ 56,805,000	+19.8%
Travel	$ 2,750,000	+ 8.2%	$ 2,542,000	+16.6%
Dealer Merchandise	$ 26,173,000	+ 8.9%	$ 24,040,000	+ 9.5%
Travel	$ 504,000	+ 10.3%	$ 457,000	+10.4%
BUSINESS GIFTS	$ 7,191,000	+ 4.4%	$ 6,886,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 61,640,000	+ 9.8%	$ 56,126,000	+12.1%
Other Premiums	$ 34,025,000	+ 9.3%	$ 31,121,000	+10.7%
ELECTRIC APPLIANCES	**$180,953,000**	**+7.7%**	**$168,031,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 25,088,000	+ 5.3%	$ 23,823,000	+17.3%
Travel	$ 11,617,000	+ 10.6%	$ 10,508,000	+18.6%
Dealer Merchandise	$ 25,321,000	+ 7.6%	$ 23,527,000	+10.3%
Travel	$ 45,060,000	+ 10.2%	$ 40,881,000	+13.3%
BUSINESS GIFTS	$ 43,635,000	+ 5.6%	$ 41,319,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,108,000	+ 7.6%	$ 15,903,000	+12.7%
Other Premiums	$ 13,124,000	+ 8.7%	$ 12,070,000	+11.1%
ELECTRICAL & LIGHTING EQUIP.	**$109,456,000**	**+6.8%**	**$102,518,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 17,234,000	+ 7.0%	$ 16,102,000	+16.5%
Travel	$ 8,411,000	+ 6.1%	$ 7,931,000	+23.4%
Dealer Merchandise	$ 33,081,000	+ 7.1%	$ 30,882,000	+10.7%
Travel	$ 11,214,000	+ 11.0%	$ 10,103,000	+12.3%
BUSINESS GIFTS	$ 25,111,000	+ 4.2%	$ 24,103,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,425,000	+ 6.8%	$ 6,014,000	+ 9.7%
Other Premiums	$ 7,980,000	+ 8.1%	$ 7,383,000	+11.8%
ELECTRONICS, RADIO, TV	**$407,861,000**	**+9.6%**	**$372,104,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$128,630,000	+ 10.8%	$116,128,000	+11.6%
Travel	$ 45,964,000	+ 10.0%	$ 41,803,000	+19.0%
Dealer Merchandise	$ 43,888,000	+ 9.5%	$ 40,092,000	+ 7.5%
Travel	$105,998,000	+ 10.7%	$ 95,750,000	+15.3%
BUSINESS GIFTS	$ 42,080,000	+ 4.8%	$ 40,171,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,967,000	+ 8.8%	$ 14,681,000	+13.0%
Other Premiums	$ 25,334,000	+ 7.9%	$ 23,479,000	+12.2%

	EXPENDITURES 1985		EXPENDITURES 1984	
FARM EQUIPMENT	**$230,492,000**	**+5.5%**	**$218,466,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 28,944,000	+ 3.3%	$ 28,021,000	+12.3%
Travel	$ 28,006,000	+ 6.0%	$ 26,410,000	+19.9%
Dealer Merchandise	$ 82,125,000	+ 5.2%	$ 78,083,000	+ 9.4%
Travel	$ 63,819,000	+ 6.2%	$ 60,102,000	+ 9.5%
BUSINESS GIFTS	$ 15,994,000	+ 7.2%	$ 14,921,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,520,000	+ 6.0%	$ 5,208,000	+10.0%
Other Premiums	$ 6,084,000	+ 6.3%	$ 5,721,000	+10.1%
FEED, FERTILIZER, SUPPLIES	**$200,107,000**	**+6.2%**	**$188,353,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 31,694,000	+ 6.7%	$ 29,842,000	+15.1%
Travel	$ 13,217,000	+ 4.8%	$ 12,611,000	+19.5%
Dealer Merchandise	$ 48,116,000	+ 5.9%	$ 45,417,000	+10.7%
Travel	$ 21,123,000	+ 8.9%	$ 19,404,000	+ 9.7%
BUSINESS GIFTS	$ 14,430,000	+ 4.8%	$ 13,773,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,418,000	+ 6.8%	$ 16,313,000	+12.1%
Other Premiums	$ 54,109,000	+ 6.1%	$ 50,993,000	+10.9%
FOOD PRODUCTS	**$1,298,954,000**	**+7.2%**	**$1,212,003,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$130,211,000	+ 7.3%	$121,322,000	+24.9%
Travel	$ 24,044,000	+ 9.9%	$ 21,870,000	+26.2%
Dealer Merchandise	$ 95,756,000	+ 7.9%	$ 88,724,000	+12.2%
Travel	$ 8,015,000	+10.0%	$ 7,283,000	+13.3%
BUSINESS GIFTS	$ 37,179,000	+ 4.5%	$ 35,580,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$551,127,000	+ 5.8%	$521,116,000	+12.9%
Other Premiums	$452,622,000	+ 8.8%	$416,108,000	+11.4%
FURNITURE & FLOOR COVERINGS	**$88,010,000**	**+7.1%**	**$82,141,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 14,121,000	+ 5.8%	$ 13,342,000	+19.9%
Travel	$ 4,182,000	+ 7.1%	$ 3,903,000	+21.8%
Dealer Merchandise	$ 33,321,000	+ 7.1%	$ 31,112,000	+10.6%
Travel	$ 17,857,000	+ 9.4%	$ 16,329,000	+11.8%
BUSINESS GIFTS	$ 6,886,000	+ 3.8%	$ 6,631,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 7,009,000	+ 7.1%	$ 6,544,000	+11.1%
Other Premiums	$ 4,634,000	+ 8.5%	$ 4,271,000	+ 9.7%
HARDWARE	**$33,626,000**	**+6.6%**	**$31,550,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,632,000	+ 6.5%	$ 8,108,000	+22.2%
Travel	$ 2,227,000	+ 5.4%	$ 2,112,000	+22.5%
Dealer Merchandise	$ 9,093,000	+ 5.6%	$ 8,609,000	+10.1%
Travel	$ 861,000	+14.0%	$ 755,000	+10.5%
BUSINESS GIFTS	$ 2,411,000	+ 5.1%	$ 2,295,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,692,000	+ 7.8%	$ 5,282,000	+10.5%
Other Premiums	$ 4,710,000	+ 7.3%	$ 4,389,000	+11.3%

	EXPENDITURES 1985		EXPENDITURES 1984	
HEATING & AIR CONDITIONING	**$234,943,000**	**+9.9%**	**$213,693,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 31,924,000	+ 9.6%	$ 29,131,000	+21.0%
Travel	$ 43,112,000	+11.1%	$ 38,808,000	+21.4%
Dealer Merchandise	$ 78,490,000	+10.3%	$ 71,132,000	+10.7%
Travel	$ 47,014,000	+10.8%	$ 42,423,000	+ 9.8%
BUSINESS GIFTS	$ 18,120,000	+ 5.3%	$ 17,214,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,865,000	+ 9.0%	$ 5,381,000	+11.6%
Other Premiums	$ 10,418,000	+ 8.5%	$ 9,602,000	+11.0%
HOUSEWARES, HOME FURNISHINGS	**$203,144,000**	**+1.8%**	**$199,616,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 48,132,000	+ 2.8%	$ 46,821,000	+19.7%
Travel	$ 9,283,000	+ 7.9%	$ 8,602,000	+22.6%
Dealer Merchandise	$ 24,995,000	+ 6.4%	$ 23,501,000	+10.2%
Travel	$ 6,788,000	+ 9.8%	$ 6,183,000	+10.9%
BUSINESS GIFTS	$ 19,121,000	+ 4.1%	$ 18,364,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,211,000	+ 8.1%	$ 5,744,000	+12.1%
Other Premiums	$ 88,614,000	- 2.0%	$ 90,401,000	+13.0%
INDUSTRIAL CHEMICALS	**$98,533,000**	**+8.2%**	**$91,056,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 15,940,000	+ 9.9%	$ 14,505,000	+19.0%
Travel	$ 6,121,000	+ 9.1%	$ 5,610,000	+24.2%
Dealer Merchandise	$ 31,887,000	+ 9.5%	$ 29,113,000	+11.7%
Travel	$ 6,984,000	+ 5.3%	$ 6,633,000	+14.0%
BUSINESS GIFTS	$ 18,120,000	+ 5.2%	$ 17,218,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,393,000	+ 5.7%	$ 4,157,000	+15.3%
Other Premiums	$ 15,088,000	+ 9.2%	$ 13,822,000	+11.8%
INSURANCE	**$540,394,000**	**+8.7%**	**$497,151,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$184,271,000	+ 7.6%	$171,224,000	+20.5%
Travel	$162,981,000	+11.5%	$146,140,000	+21.3%
Dealer Merchandise	$ 11,689,000	+ 8.1%	$ 10,818,000	+11.1%
Travel	$ 52,011,000	+10.4%	$ 47,103,000	+14.3%
BUSINESS GIFTS	$ 56,446,000	+ 4.6%	$ 53,944,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 65,108,000	+ 7.2%	$ 60,712,000	+12.5%
Other Premiums	$ 7,888,000	+ 9.4%	$ 7,210,000	+ 9.7%
LUGGAGE, JEWELRY, ACCESSORIES	**$24,532,000**	**+8.4%**	**$22,629,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,840,000	+ 7.4%	$ 7,302,000	+25.5%
Travel	$ 2,592,000	+10.7%	$ 2,341,000	+15.9%
Dealer Merchandise	$ 4,533,000	+ 9.4%	$ 4,142,000	+10.0%
Travel	$ 625,000	+11.2%	$ 562,000	+11.5%
BUSINESS GIFTS	$ 1,228,000	+ 7.0%	$ 1,148,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,220,000	+ 9.0%	$ 4,791,000	+11.6%
Other Premiums	$ 2,494,000	+ 6.4%	$ 2,343,000	+11.2%

	EXPENDITURES 1985		EXPENDITURES 1984	
MACHINERY & SUPPLIES	**$124,189,000**	**+9.5%**	**$113,437,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 53,817,000	+11.4%	$ 48,311,000	+20.0%
Travel	$ 25,734,000	+10.8%	$ 23,228,000	+21.5%
Dealer Merchandise	$ 6,519,000	+ 7.9%	$ 6,044,000	+11.1%
Travel	$ 7,024,000	+ 3.3%	$ 6,799,000	+10.7%
BUSINESS GIFTS	$ 20,215,000	+ 5.8%	$ 19,102,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,191,000	+ 8.2%	$ 5,721,000	+10.8%
Other Premiums	$ 4,689,000	+11.1%	$ 4,222,000	+10.8%
OFFICE EQUIPMENT	**$249,129,000**	**+8.9%**	**$228,864,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 49,108,000	+ 9.1%	$ 45,021,000	+20.1%
Travel	$ 56,216,000	+10.2%	$ 51,004,000	+21.5%
Dealer Merchandise	$ 24,196,000	+ 8.9%	$ 22,211,000	+10.9%
Travel	$ 15,408,000	+10.5%	$ 13,946,000	+10.9%
BUSINESS GIFTS	$ 26,883,000	+ 6.5%	$ 25,250,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 11,003,000	+ 7.8%	$ 10,208,000	+13.2%
Other Premiums	$ 66,314,000	+ 8.3%	$ 61,224,000	+13.1%
PAINTS & VARNISHES	**$54,161,000**	**+8.2%**	**$ 50,053,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 13,222,000	+ 9.1%	$ 12,121,000	+20.1%
Travel	$ 4,208,000	+10.4%	$ 3,812,000	+21.5%
Dealer Merchandise	$ 9,096,000	+ 9.2%	$ 8,333,000	+ 9.8%
Travel	$ 9,021,000	+ 9.8%	$ 8,216,000	+11.3%
BUSINESS GIFTS	$ 2,112,000	+ 1.4%	$ 2,083,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 11,412,000	+ 5.6%	$ 10,804,000	+12.0%
Other Premiums	$ 5,090,000	+ 8.7%	$ 4,684,000	+11.7%
PAPER PRODUCTS & PACKAGING	**$74,306,000**	**+8.0%**	**$68,813,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 9,485,000	+ 9.7%	$ 8,645,000	+22.8%
Travel	$ 9,290,000	+10.3%	$ 8,421,000	+20.8%
Dealer Merchandise	$ 9,608,000	+ 7.9%	$ 8,904,000	+10.7%
Travel	$ 4,398,000	+10.5%	$ 3,981,000	+12.9%
BUSINESS GIFTS	$ 10,884,000	+ 5.4%	$ 10,330,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,001,000	+ 7.5%	$ 15,808,000	+11.1%
Other Premiums	$ 13,640,000	+ 7.2%	$ 12,724,000	+11.4%
PETROLEUM PRODUCTS	**$238,304,000**	**+7.7%**	**$221,219,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 55,412,000	+ 8.4%	$ 51,112,000	+18.2%
Travel	$ 8,841,000	+ 6.8%	$ 8,281,000	+19.6%
Dealer Merchandise	$ 68,907,000	+ 8.5%	$ 63,504,000	+10.5%
Travel	$ 8,877,000	+ 7.9%	$ 8,225,000	+10.8%
BUSINESS GIFTS	$ 13,336,000	+ 5.6%	$ 12,625,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 32,717,000	+ 6.2%	$ 30,801,000	+13.9%
Other Premiums	$ 50,214,000	+ 7.6%	$ 46,671,000	+11.3%

	EXPENDITURES 1985		EXPENDITURES 1984	
PHARMACEUTICALS	**$153,159,000**	**+8.1%**	**$141,638,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 46,217,000	+ 8.1%	$ 42,762,000	+19.3%
Travel	$ 12,231,000	+10.0%	$ 11,120,000	+18.0%
Dealer Merchandise	$ 19,459,000	+11.5%	$ 17,455,000	+10.4%
Travel	$ 7,084,000	+ 8.1%	$ 6,555,000	+10.9%
BUSINESS GIFTS	$ 27,814,000	+ 6.5%	$ 26,111,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,232,000	+ 7.1%	$ 17,021,000	+11.8%
Other Premiums	$ 22,122,000	+ 7.3%	$ 20,614,000	+ 9.1%
PUBLIC UTILITIES	**$22,738,000**	**+3.8%**	**$21,903,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 5,481,000	+ 9.3%	$ 5,013,000	+19.8%
Travel	$ 2,798,000	+ 8.4%	$ 2,581,000	+27.5%
Dealer Merchandise	$ 2,744,000	+ 8.8%	$ 2,522,000	+ 8.8%
Travel	$ 322,000	+11.8%	$ 288,000	+11.1%
BUSINESS GIFTS	$ 2,208,000	+ 1.0%	$ 2,187,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,604,000	- 4.3%	$ 4,810,000	+11.8%
Other Premiums	$ 4,581,000	+ 1.8%	$ 4,502,000	+11.2%
PUBLISHERS & BROADCASTERS	**$236,136,000**	**+8.7%**	**$217,292,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 84,215,000	+10.8%	$ 76,030,000	+11.7%
Travel	$ 12,011,000	+11.1%	$ 10,812,000	+18.0%
Dealer Merchandise	$ 10,411,000	+10.3%	$ 9,436,000	+ 6.7%
Travel	$ 4,812,000	+ 9.3%	$ 4,402,000	+ 7.6%
BUSINESS GIFTS	$ 32,173,000	+ 3.8%	$ 30,989,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 62,086,000	+ 8.8%	$ 57,073,000	+ 9.7%
Other Premiums	$ 30,428,000	+ 6.6%	$ 28,550,000	+10.5%
SPORTING GOODS & TOYS	**$46,657,000**	**+7.1%**	**$43,564,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,602,000	+ 4.8%	$ 7,252,000	+10.7%
Travel	$ 5,616,000	+ 7.6%	$ 5,221,000	+10.5%
Dealer Merchandise	$ 8,621,000	+ 7.3%	$ 8,036,000	+ 9.2%
Travel	$ 4,221,000	+ 8.3%	$ 3,899,000	+10.6%
BUSINESS GIFTS	$ 2,441,000	+ 5.4%	$ 2,317,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 8,944,000	+ 8.6%	$ 8,237,000	+10.0%
Other Premiums	$ 9,212,000	+ 7.1%	$ 8,602,000	+10.0%
TOILETRIES & COSMETICS	**$759,227,000**	**+8.4%**	**$700,200,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$230,820,000	+ 7.9%	$214,011,000	+20.1%
Travel	$ 34,410,000	+11.3%	$ 30,914,000	+21.6%
Dealer Merchandise	$ 84,655,000	+ 9.9%	$ 77,021,000	+10.9%
Travel	$ 11,923,000	+15.6%	$ 10,316,000	+12.2%
BUSINESS GIFTS	$ 65,114,000	+ 5.1%	$ 61,978,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$161,886,000	+ 9.3%	$148,127,000	+10.6%
Other Premiums	$170,419,000	+ 8.0%	$157,833,000	+11.0%

FACTS '85

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Housewares & home furnishings	+ 8.7%
Industrial chemicals	+ 7.0%
Insurance	+11.3%
Luggage, jewelry & accessories	+10.8%
Machinery & supplies	+ 9.1%
Office equipment	+10.3%
Paints & varnishes	+10.0%
Paper products & packaging	+10.4%
Petroleum products	+ 7.2%
Pharmaceuticals	+ 9.3%
Public utilities	+ 8.7%
Publishers, printers & broadcasters	+10.6%
Sporting goods & toys	+ 7.9%
Toiletries & cosmetics	+12.4%
Distributors & wholesalers	+10.4%
Miscellaneous industries	+ 9.7%

The overall increase of more than 10 percent in incentive travel expenditures this year suggests this is still the healthiest part of the field, despite some backing off from earlier rosy budgets. And the maintenance of sales gains above 20 percent in the first half of the year—running well ahead of last year's results—should keep usage at a high level, perhaps growing more if the economy permits.

In travel campaigns, dollar volume is most often the primary objective because of the length of both planning and selling periods, making it difficult to pinpoint more specific marketing goals. In this year's survey, 77 percent of executives listed volume gains as their primary objective—somewhat higher than is found for other promotions. And the second favorite objective, a special province of travel programs, increasing morale and good will, was cited by 48 percent. The harder the sell, the more important sales-force morale and dealer good are—and their contribution to sales volume is apparent.

Other goals are important, but less dominant: Introducing new products (38 percent) and moving a full line or slow items (24 percent) are the principal runners-up, and both can contribute much to achieving sales volume targets. And for many marketers, incentive travel is clearly the way to make it happen. ■

AUTOMATED PROMOTIONS

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Dubbed the Triple Treasure Hunt, the promotion gave away cash prizes of $5 to $100 via rub-off cards that customers obtained by trading in ATM receipts. Each non-winner was entered in a drawing for a $100 savings account at each branch. And heavy users who were able to spell AVAIL from letters printed on another part of the card were able to enter a drawing for a Caribbean cruise.

"This was a small-budget promotion," said Wallace. "We only spent about $30,000 on it. The results are difficult to quantify, but I would say that we increased our ATM use by other bank customers by about 40 percent."

The long-range implications of the success or failure of ATM's are significant, according to Weber, Hall, Sale and Associates' Anderson. "The banking industry is moving further and further into POS," he said. "But, before they can make that happen, banks have to get people interested in using ATM's. If people won't use ATM's, then they will not accept POS terminals which use the same technology." ■

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DEATH VALLEY

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saloon doors and a smoke-shop Indian. As a final touch, crystal Victorian chandeliers were hung from a wire strung across the space once occupied by a ceiling.

As the sun sank into the desert, the guests arrived to the music of a full orchestra. A five-course dinner followed, then dancing into the night. Later, a fireworks show exploded outside, with the revelers viewing the pyrotechnics through the open-air ceiling.

According to Tinley, this once-in-a-lifetime trip presented several fears and obstacles prior to execution. "The client felt he was taking an extremely large risk because these people were used to staying at the finest resorts in the world. For us, this trip was an overwhelming task because we were put out there in the desert, and we had to create. Plus, the people in the area weren't used to putting together something of that size and caliber. Add to that the fact that all materials were brought in from Las Vegas, San Diego and Los Angeles."

A Las Vegas western store flew in some 400 items—Stetson hats, cowboy boots, shirts, dresses and boots—to ensure that everybody's tastes were suited fully.

Reportedly deemed a resounding success by the electronics firm's incentive planner, the Death Valley journey presents one final problem: How will he top it next year?

"That's his problem right now," Tinley suggests, though acknowledging that "soon it will be time for me to put on my thinking cap and consider it too." ■